Crypto Market Volatility - The Relationship Between Charts and Greed

Volatility in the cryptocurrency market is the measure of changes in prices over time. Vivid trading occurs when cryptos experience fast and rapid price fluctuations. A crypto with higher volatility is more likely to experience sharp price changes over short intervals while a lower volatile crypto is more likely to be affected by longer-term price fluctuations. Investors can use technical or fundamental analysis to determine if a crypto has potential for significant profit. Investors are generally advised to take extreme caution in the crypto market and stay crypto aware at all times.

Fear and greed are often a major factor behind crypto market volatility. Fear in the short term often results in selling of cryptos to quick buyers resulting in a price reduction. Greed, on the other hand, leads to an over enthusiastic buying which can result in the opposite. Either fear or greed is triggered by news that can influence market sentiment and perceptions. Hence, research has other practical implications, including, portfolio management, crypto market volatility analysis, and crypto market prediction.

Historically, the largest decreases in crypto market volatility have occurred during crypto marklet extended declines. The drop may come from one day to the next causing investor fear and subsequent selling of the crypto. The same goes for short term price fluctuations.

Many experts believe that there are certain indicators that help investors determine whether the market is in a bull or bearish state. The crypto fear and greed index, for example, indicates the overall market sentiment. When the index rises towards 100, it indicates that there is bullish sentiment and when it drops towards 0, it indicates that there is bearish sentiment.

Market sentiment and the crypto market fear and greed index are two ways of gauging investor sentiment. They are not the only things that investors use to determine market sentiment. Other indicators including the Stochastic and the RSI have been used as well. However, these crypto market volatility indicators allow investors to track and understand market behavior better than any other means. For example, while the volatility and Stochastic factors are derived from the prices of the underlying cryptos, the RSI takes into account how users feel about the direction the crypto is moving in.

There are many possible sources of this crypto market volatility index. Experts say that it may be derived from the trends in the U.S. Dollar index (DXY), U.S. federal interest rates and Chinese crypto markets. Experts say that it may also be derived from changes in national currency exchange rates.